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C O N F I D E N T I A L ROME 003701

SIPDIS

COMMERCE FOR BIS WILLIAM DENK AND ITA DAVID DEFALCO

E.O. 12958: DECL: 08/14/2013

TAGS: [ETTC](#) [PREL](#) [MASS](#) [MCAP](#) [TW](#) [IT](#) [EXPORT](#) [CONTROLS](#)

SUBJECT: U.S. COMPANY PUSHING FOR RELEASE OF TAIWAN SUB
EXPORT LICENSE

REF: A. SECSTATE 75137 01 (NOTAL)

[B](#). BENJAMIN-EBITZ E-MAIL 7/21/03

Classified By: Charge d'Affaires Emil Skodon for Reasons
1.5 (b) and (c)

Please see action request in para 8.

[1](#). (C) Summary. Kollmorgen, a U.S. producer of electro-optical submarine systems, has requested Embassy assistance in obtaining a sensitive export license for the firm's Italian subsidiary. The Italian company, Calzoni, which makes lifting devices for Kollmorgen's EO system, has requested the Italian MFA approve a license that would allow it to compete for eventual work in the U.S. Navy's Taiwan submarine program. Embassy engaged the MFA and the Ministry for Productive Activities in early June, but has since learned that the program is stalled. We are reluctant to press further for a license approval without guidance from Washington. End Summary.

[2](#). (SBU) At the request of the U.S. company, Kollmorgen Electro-Optical, Embassy has over the past few months engaged in efforts to help the firm's wholly-owned Italian subsidiary secure an export license for the provision of non-lethal operating equipment to the U.S. Navy's Taiwan submarine program (TSP). The subsidiary, Calzoni, specializes in so-called Universal Modular Masts (UMMs), which serve as lifting devices for Kollmorgen's electro-optical submarine systems. According to information from ODC Rome, the U.S. Navy considers the integrated system to be the best performing and most durable in the world. We took up the advocacy project based on an understanding that the Taiwan sub program was moving forward, and that a request for proposal (RFP) for the design phase was forthcoming soon.

[3](#). (C) Kollmorgen initially approached ODC with a request for assistance in January, and followed with a joint Kollmorgen/Calzoni briefing to Embassy officials in March. Their urgency was predicated on a predicted RFP issuance timeline of spring/summer 2003. At the March briefing and in follow-up conversations in May, Kollmorgen/Calzoni representatives informed ODC and Embassy Econ officers that the license approval process was "stuck" at the MFA Office for Arms Export Controls. According to the representatives, Office Director Ferdinando Zezza told them during consultations that the matter, because of its sensitivity, would only be resolved through "political intervention". (Note: We understood this to mean that a positive outcome would require FM Frattini's direct support, presumably because of Italy's concerns about alienating China were a license approved. End Note) Following internal deliberations, we decided that an initial approach through diplomatic channels was warranted.

[4](#). (C) POLMINCOUNS on June 4 raised the licensing issue with Deputy PolDir Claudio Bisogniero. He explained that Kollmorgen had told the Embassy that it might have to sever its relationship with Calzoni in the event the UMM export license was denied. Kollmorgen, POLMINCOUNS said, valued its relationship with Calzoni, but was committed to competing for the TSP and would develop an indigenous capacity to produce the masts if necessary. Bisogniero said he needed to look into the matter before providing a response. ECONMINCOUNS, also in early June, conveyed the interest of Kollmorgen-Calzoni in obtaining the license to the Diplomatic Advisor to the Ministry of Productive Activities (MPA), who took the matter on board. Neither Italian interlocutor has since raised the issue with the Embassy.

[5](#). (C) Subsequent to our diplomatic engagement, ref B e-mail exchange clarified for the Embassy that the Navy's Taiwan submarine program is not ready to move into the design and construction phase. We understand that the program may be at least two years away from getting off the ground (Note: Embassy also understands that options which do not involve the building of new subs are also being considered in Washington. End Note) Embassy conveyed our awareness of this new information to Kollmorgen, now indicating our reluctance to re-address the licensing issue with the MFA and the MPA.

16. (C) Kollmorgen representatives informed us that its parent company, the Washington-D.C.-based Danaher Corporation, nevertheless believes it may have to sever the relationship with Calzoni if a license is not granted in the immediate future. Kollmorgen officials have explained to us that Danaher wants to be in a strategic position to compete for all future U.S. (and foreign) sub programs with one integrated electro-optical system. If the Italian Government does not grant an export license to Calzoni in the near term, Kollmorgen officials assert that Danaher will move to develop an independent--if costly--capacity to produce the UMMs, making the relationship with the Italian company superfluous. Comment: It is not clear to us why Danaher would want to sacrifice a tried and true relationship with a quality Italian firm to ensure that it can compete for a program that has yet to gel. But this is what we have been told. End Comment.

17. (C) Based on available information regarding the status of the TSP, and lacking further guidance from Washington, we are reluctant to push the MFA harder on a license approval. This issue strikes us as one that the Italian firm Calzoni should continue to work through its contacts with the Italian Government. Calzoni, apparently, has the most to lose if a license is not granted, and Italy can weigh for itself the potential job losses against any political downside.

18. (C) Action Request: Please advise if Embassy should re-engage with the Italian Government to seek a license approval for Calzoni. If there is a positive decision to have us move forward, Embassy would appreciate talking points to use with Italian officials that include a policy overlay to the economic interest the corporate entities have in seeing the license released. End Action Request.

Skodon

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